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10411 Motor City Drive
Bethesda, MD 20817 USA
301.365.8959 tel
301.365.8787 fax

April 17, 1996

Ms. Magalie R. Salas, Secretary
Office of the Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, DC 20554

Re: Request for forbearance/exemption from Universal Service Fund as stated in FCC Docket 96-45

Dear Ms. Salas:

Startec Global Communications Corporation is requesting forbearance/exemption from the Universal Service Fund contributions as mandated in Docket 96-45. I have spoken to Ms. Lori Wright in the Commission's Accounting Policy Division, and she recommended that I make this request directly to you. The basis of our appeal is that the Universal Service Fund contribution, which amounts to a levy of approximately 4% of our revenues, would limit Startec's ability to provide low-cost service to the same under-served communities that the Fund was designed to help.

Startec is a "dial-around" long distance international carrier that holds a Global 214 license. We are niche marketers, focused solely on under-served international ethnic communities in the United States (mostly first-generation immigrants). We provide our customers with low-cost telephone service to their countries of origin. I have taken the liberty of attaching an article from Investors Business Daily, which describes our service.

Our larger competitors, AT&T, MCI, Sprint etc., have decided to pass on the cost of the Universal Service Fund to their large business customers only. This option is not open to Startec, as we cater to small residential customers in immigrant communities. Absorbing the cost of the Universal Service Fund ourselves is not economically viable; and our customers could not afford the additional cost if we passed it on to them.

I was a member of the late Commerce Secretary Ron Brown's senior staff when the Universal Service concept was put forward by the Administration. I am well aware that it was designed to serve what Mr. Brown called the "information have-nots", but was not intended to have a materially adverse impact on American telecommunications companies -- especially those such as Startec which are minority-run and cater to under-served minority communities.

STARTEC
Global Communications Corporation

If Universal Service Fund contributions are imposed on Startec, our under-served markets will lose access to low-cost international telecommunications service, and the viability of the Company itself will be placed in question. For these reasons, I am requesting forbearance/exemption from the requirements of Docket 96-45.

I remain available to answer any further questions that you or your staff may have.

Thank you in advance for your time and attention.

Most sincerely,

Anthony A. Das
Vice President for Corporate and International Affairs

cc:
Mr. Larry Irving
Administrator
National Telecommunications and Information Administration
US Department of Commerce
Washington, DC 20230

Ms. Cheryl Todd/Ms. Lori Wright
Accounting Policy Division
FCC
2100 M Street NW
Washington, DC 20554

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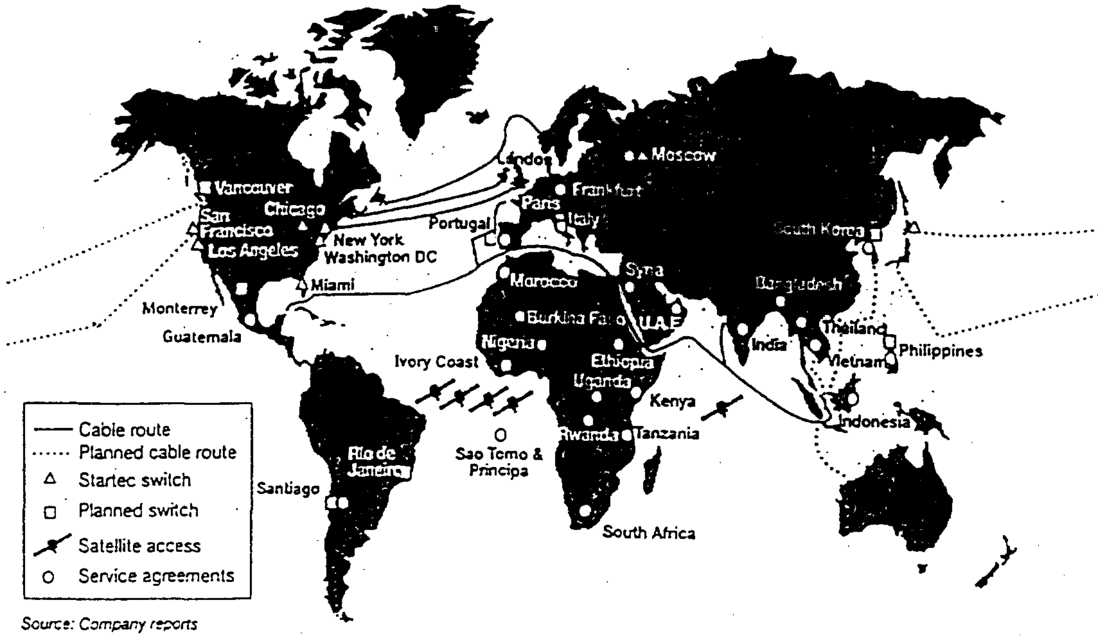
STARTEC GLOBAL COMMUNICATIONS CORP. / *Bethesda, Maryland*

Long-Distance Firm Caters To Ethnic Callers

By Matthew Benjamin
Investor's Business Daily

Going Global

Startec is using funds from its October initial public offering to buy and lease additional pieces for its global long-distance phone network.



Source: Company reports

About 25 companies let you save money on long-distance calls by dialing around your current provider. To get these discounted rates, you need only dial a five-digit access code before each call.

Yet just 2% of U.S. calls, in terms of revenue, are made this way.

Why? "Because you have to dial the extra digits," said William West, of Atlantic-ACM, a Boston-based consulting group.

■

Unless the incentive is large enough (larger than a few cents per call), residential customers generally use their pre-subscribed carrier — probably AT&T Corp., Sprint Corp. or MCI Communications Corp. And the dialing hassle will increase when access codes expand to seven digits next summer.

So, long-distance resellers that provide these services must give big enough incentives to get a caller's business. Also, because long-distance reselling has become such a crowded field, and prices are already low, companies will have to carve out a niche to stay alive, analysts say.

Startec Global Communications Corp. thinks it has found a niche. The reseller targets ethnic communities that make frequent international calls to less-developed countries.

Founded in 1989 by Ram Mukunda, the company began by reselling international long-distance service to the Indian community in and around Washington, D.C.

These callers are willing to use a dial-around service because international calls are relatively expensive, averaging 72 cents a minute vs. 12 cents a minute for domestic calls.

"It's not a penny or a half a penny they would save on a 15-cent call," CEO Mukunda said. "Here, they're saving large amounts of money."

Indeed, the company's initial service to India was 40% less than what the major carriers charged. Its customers saved about $1 a minute.

Those discounts brought a great response. Since then, the company has expanded to serve Russian, Filipino and Middle Eastern communities throughout the East Coast. It will begin service to South America in January.

Startec earned seven cents a share in the third quarter, compared with a loss of 14 cents a year ago. Revenue rose 237% to $25.8 million.

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The company obtains customers through grass-roots marketing, advertising in ethnic newspapers and TV programs. It also provides in-language customer service with operators who speak Russian, Arabic, Hindi and other languages.

"We don't advertise the (access) code, we advertise Startec," Mukunda added, "and the customer calls us and signs up for a service, so we know their name and number and we're in touch with them through our in-language communication."

Mukunda thinks these close ties will help it retain customers during the switch to a seven-digit access code.

The company plans to expand its service to six other metro areas around the U.S. Its October initial public offering raised about $36 million, all of which it will use to build out its own network.

The company will purchase another New York switch in January, and thereby double its capacity. By the end of '98, it plans to have two more switches — one in Los Angeles and another in Dallas or Chicago. Also, plans are under way to purchase several undersea fiber-optic cables, which will save on leasing costs over an extended period.

Ernest Kelly III, executive director of the Telecommunications Resellers Association in Washington, D.C., says owning your own network is the classic sign of maturity in the industry. "You're able to control your costs a little better, and you can manage your customer base better."

Long term, Startec wants to capitalize on a 1997 World Trade Organization accord. In that agreement, 69 countries controlling 95% of the world's telecommunications trade revenue pledged to further open their markets to competition.

Huge opportunities are expected to spring up as these countries deregulate their telecom markets, similar to what happened in the U.S. when AT&T lost its long-distance monopoly in the '80s. Startec already has identified 40 urban areas around the world where it thinks it can make a profit.

"They're extremely well-positioned because of their early entry status and the potential of these markets," consultant West said.

Though Startec has a good start in reselling international long distance, analysts think many rivals will vie for spoils from the WTO accord. U.S. reforms passed in '96 allow local providers, like the Bell operating companies, to get into long distance, though they must first prove that competition exists in their own backyards. And, of course, the big three long-distance companies will compete.

■

Additionally, foreign firms, such as British Telecommunications, and joint ventures like GlobalOne, the trans-Atlantic grouping formed by Sprint, France Telecom and Deutsche Telekom, will be eager to take their share of the $600 billion global telecom market.

Mukunda thinks these groups will mainly aim to provide service between industrialized countries, which account for about 70% of the market. The remaining 30% may be left to niche players, and that's fine by him.

Analysts predict Startec will earn 58 cents a share in '98, vs. estimates of 21 cents this year. Revenue is expected to more than double to about $170 million. The stock trades by STGC near 20.